



April 15, 2019

Mr. William Garay, Director of Finance
Inland Valley Development Agency
1601 East Third Street, Suite 100
San Bernardino, CA 92408

Dear Mr. Garay:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Inland Valley Development Agency Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 13, 96, 97, and 104 – Airport Operations, total outstanding obligation amount of \$39,343,480, is not allowed. The Agency requested funding for Item No. 13; Item Nos. 96, 97, and 104 are duplicates of Item No. 13 (repetitive requests for funding for the same item) and no funding was requested for duplicated items. Since Item No. 13 is currently the subject of litigation, this item will continue to be denied until the matter is resolved. Therefore, the requested amount of \$22,087,738 from Redevelopment Property Tax Trust Fund (RPTTF) for Item No. 13 is not allowed.

Further, since Item Nos. 96, 97, and 104 are duplicates of Item No. 13, these items have been retired on the ROPS.

- Item No. 52 – Inland Valley Development Agency Joint Powers Authority Obligations, total outstanding obligation amount of \$83,804,573, is not allowed. Since Item No. 52 is currently the subject of litigation, this item will continue to be denied until the matter is resolved. Therefore, the requested amount of \$4,650,372 from RPTTF is not allowed.
- Item Nos. 53, 72, 89, and 100 – Reimbursement of the July 2012 True-Up Payment, outstanding obligation amount totaling \$797,250, is not allowed. The Agency requested funding for Item No. 53; Item Nos. 72, 89, and 100 are duplicates of Item No. 53 and no funding was requested for duplicate items. Finance continues to deny these items. As stated in our previous determination letters, these items represent the remaining balance of the true-up payment due to the San Bernardino County Auditor-Controller (CAC) per the Notice for Demand Letter dated July 9, 2012. The July 2012 True-Up process was in place to collect residual pass-through payments owed to the affected taxing entities for the January through June 2012 period and was not tied to an enforceable obligation as defined in HSC section 34171 (d). Therefore, the requested amount of \$797,250 from RPTTF for Item No. 53 is not allowed.

Further, since Item Nos. 72, 89, and 100 are duplicates of Item No. 53, these items have been retired on the ROPS.

- Item Nos. 76 through 79 and 81 – Various Reimbursement, Interagency, and Cooperative Agreements, outstanding obligation amounts totaling \$15,702,334 are not allowed. Finance continues to deny these items. The Agency previously provided a Settlement Agreement, a Cooperation Agreement, and a Stipulated Judgment (Judgment) to support the amounts requested as further discussed below:
 - The Settlement Agreement between the Agency, Finance, and the California State Controller’s Office (SCO). Pursuant to the Settlement Agreement, the Agency was allowed to use Bond Proceeds derived from the Agency’s 2011 Tax Allocation Bonds in the amount of \$ 8,925,000 to fund two projects (I-10 Tippecanoe and Goods Movement - 3rd and 5th Street). The Settlement Agreement does not require RPTTF funding for these projects.
 - The Judgment between the City of Redlands (Plaintiff and Petitioner), and the former Redevelopment Agency (RDA), the County of San Bernardino, the City of San Bernardino, the City of Colton, and the City of Loma Linda (Defendants and Respondents). Pursuant to the Judgment, the Court affirmed that IVDA was duly formed and validly exists, that an amended joint exercise of powers agreement was properly approved, executed, and entered into, and that the redevelopment plan for the Inland Valley Redevelopment Project Area was validly prepared and adopted by IVDA in accordance with all applicable laws. However, the Judgment does not obligate the RDA to make a financial contribution to any party.
 - The Cooperation Agreement between the RDA and the San Bernardino Valley Municipal Water District (District). It is our understanding the RDA and the District entered into the Agreement for the former RDA to make pass-through payments to the District from tax revenues generated from the Redevelopment Project Area. Pursuant to HSC section 34183 (a) (1), the CAC is responsible for making pass-through payments pursuant to any existing agreements. As the Agreement relates to pass-through payments currently made by the CAC, it is not necessary to list this item on the Agency’s ROPS.

Therefore, for the reasons outlined above, the requested amount of \$4,411,412 from RPTTF for Item No. 77 is not allowed. No funding was requested for Item Nos. 76, 78, 79, and 81.

- The Agency’s claimed administrative costs exceed the allowance by \$30,595. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency’s maximum ACA is \$595,717 for fiscal year 2019-20:

Although \$626,312 is claimed for the ACA, only \$595,717 is available pursuant to the cap. Therefore, as noted in the table below, \$30,595 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 20,220,638
Less distributed Administrative RPTTF	(363,395)
RPTTF distributed for 2018-19 after adjustments	<u>19,857,243</u>
ACA Cap for 2019-20 per HSC section 34171 (b)	595,717
ACA requested for 2019-20	626,312
ACA in Excess of the Cap	\$ (30,595)

Additionally, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 5 includes the prior period adjustment resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$17,288,559 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

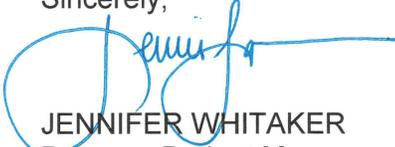
This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Mr. William Garay
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Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer", with a long horizontal line extending to the right.

JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Alka Chudasma, Accounting Manager, Inland Valley Development Agency
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 30,286,869	\$ 18,354,259	\$ 48,641,128
Administrative RPTTF Requested	313,156	313,156	626,312
Total RPTTF Requested	30,600,025	18,667,415	49,267,440
RPTTF Requested	30,286,869	18,354,259	48,641,128
<u>Adjustments</u>			
Item No. 13	(16,587,738)	(5,500,000)	(22,087,738)
Item No. 52	(2,325,186)	(2,325,186)	(4,650,372)
Item No. 53	(797,250)	0	(797,250)
Item No. 77	(2,205,706)	(2,205,706)	(4,411,412)
	(21,915,880)	(10,030,892)	(31,946,772)
RPTTF Authorized	8,370,989	8,323,367	16,694,356
Administrative RPTTF Requested	313,156	313,156	626,312
Excess Administrative Costs	0	(30,595)	(30,595)
Administrative RPTTF Authorized	313,156	282,561	595,717
Total RPTTF Authorized for Obligations	8,684,145	8,605,928	17,290,073
Prior Period Adjustment	(1,514)	0	(1,514)
Total RPTTF Approved for Distribution	\$ 8,682,631	\$ 8,605,928	\$ 17,288,559